Critical Accounting Policies and Estimates

Financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenues and expenses during the reporting period. Actual results could differ materially from estimates and changes in these estimates are recorded when known. Critical accounting policies that involve significant judgments by management with regard to estimates used include valuation for investments, pension costs, legal contingencies, guarantees and indemnifications and deferred tax assets. See Note 2 to the Consolidated Financial Statements included herein for a description of the Company's policies.

Impact of Recently Issued Accounting Standards

See Note 3 to the Consolidated Financial Statements included herein for a discussion on recently issued accounting standards.

Seasonality

The business is seasonal, reflecting international consumer travel patterns and increased consumer shopping during the holidays. The highest level of international travel occurs in the fourth fiscal quarter ending September 30. Accordingly, the largest portion of multicurrency conversion fees are earned in this quarter. The first fiscal quarter, ending December 31, is generally the period of lowest operating expenditures. During this quarter, the Company suspends significant data processing system development efforts in preparation for the holiday shopping season. Expenditures are higher after the second fiscal quarter, ending March 31, due to increased spending on systems development and advertising related to summer travel and the following fiscal year's holiday season. Refer to Note 21 to the Consolidated Financial Statements included herein for information regarding selected quarterly financial data.

Qualitative Disclosures About Market Risk

Visa International is exposed to various market risks, including changes in foreign currency exchange rates and interest rates. Market risk is the potential for economic losses arising from changes in market factors such as foreign currency exchange rates, interest rates and equity prices. Visa International has limited exposure to market risk from changes in such factors. Management establishes and oversees the implementation of policies, which have been approved by the Board of Directors, governing the funding, investments and use of derivative instruments. The Company monitors aggregate risk exposures on an ongoing basis and does not consider our cash and cash equivalents to be subject to interest rate risk due to their short maturities. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

Foreign Currency Risk

Visa International utilizes foreign currency forward and option contracts to hedge foreign currency exposures of underlying assets and liabilities, thereby limiting the Company's risk. See Note 15 to the Consolidated Financial Statements included herein for further discussion on foreign currency risk.

Interest Rate Risk

Interest rate risk occurs when the pricing of interest earning assets and costing liabilities differ. Visa International is exposed to interest rate risk primarily through borrowing activities and through investments in available-for-sale debt securities. The ALCO is responsible for managing any interest rate risk consistent with treasury policy requirements. Interest rate risk is periodically analyzed. The Company believes exposure to changes in interest rates is prudently managed and such risks are immaterial. Notwithstanding the efforts to manage interest rate risks, there can be no assurances that there will be adequate protection against the risks associated with interest rate fluctuations.

VISA

2004

Visa International Financial Statements

Independent Auditors' Report

KPMG

To the Board of Directors
Visa International

We have audited the accompanying consolidated balance sheets of Visa International and Subsidiaries (the Company) as of September 30, 2004 and 2003, and the related consolidated statements of operations, changes in members' equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Visa International and Subsidiaries as of September 30, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

San Francisco, California

November 19, 2004, except as to note 21,
which is as of January 14, 2005

Visa International and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands)

September 30,	**2004**	2003
Assets		
Cash and Cash Equivalents	**$ 303,837**	$ 398,402
Settlement Due From Members	**565,403**	829,531
Trading Assets	**68,837**	75,981
Investment Securities, Available-for-Sale	**110,069**	28,805
Member Collateral	**279,314**	437,590
Accounts Receivable, net of allowances of $3,006 and $905 for 2004 and 2003, respectively	**56,419**	46,677
Prepaid Expenses and Other Current Assets	**60,360**	118,092
Current Portion of Deferred Income Taxes, net	**30,118**	31,138
Total Current Assets	**1,474,357**	1,966,216
Premises and Equipment, net	**183,761**	260,391
Investments in Real Estate Joint Ventures	**21,847**	21,771
Intangibles, net	**51,503**	45,971
Long-Term Deferred Income Taxes, net	**23,733**	69,467
Other Assets	**33,981**	34,986
Total Assets	**$1,789,182**	$2,398,802
Liabilities, Minority Interest and Members' Equity		
Trade and Accrued Taxes Payable	**$ 59,618**	$ 104,313
Settlement Due To Members	**578,168**	827,411
Member Collateral	**279,314**	437,590
Accrued Compensation and Benefits	**158,425**	177,826
Accrued and Other Liabilities	**188,329**	333,085
Current Portion of Long-Term Debt	**-**	4,998
Total Current Liabilities	**1,263,854**	1,885,223
Long-Term Debt	**39,879**	39,854
Other Liabilities	**24,501**	45,303
Total Liabilities	**1,328,234**	1,970,380
Commitments and Contingencies		
Minority Interest	**7,000**	7,000
Members' Equity		
Accumulated Net Income	**452,459**	420,170
Accumulated Other Comprehensive Income	**1,489**	1,252
Total Members' Equity	**453,948**	421,422
Total Liabilities, Minority Interest and Members' Equity	**$1,789,182**	$2,398,802

See accompanying Notes to Consolidated Financial Statements.

Visa International and Subsidiaries

Consolidated Statements of Operations

(Dollars in thousands)

For the Years Ended September 30,	**2004**	2003	2002
Revenues			
Service Fees	**$ 471,175**	$ 466,370	$ 429,818
Multicurrency Conversion Fees	**423,913**	394,537	339,849
Data Processing Fees	**322,791**	313,815	282,077
Card Recovery Bulletin Fees	**52,118**	70,753	72,844
Other Revenues	**164,102**	130,911	91,347
Total Revenues	**1,434,099**	1,376,386	1,215,935
Expenses			
Personnel	**390,310**	375,506	322,502
Affiliates Services	**245,543**	261,556	270,460
Premises, Equipment and Software	**140,837**	154,552	128,646
Communications	**52,318**	41,897	48,472
Professional and Consulting Services	**124,552**	108,738	106,706
Advertising and Promotion	**297,989**	280,489	229,340
Travel and Meetings	**52,564**	50,268	41,987
Other Expenses	**56,703**	53,782	41,459
Total Operating Expenses	**1,360,816**	1,326,788	1,189,572
Operating Income	**73,283**	49,598	26,363
Interest and Other, net	**(5,576)**	(9,032)	10,415
Income Before Provision for Income Taxes	**67,707**	40,566	36,778
Provision for Income Taxes	**35,418**	23,141	14,722
Income from Continuing Operations	**32,289**	17,425	22,056
Income from Discontinued Operations, net of Taxes of $1,036 and $2,636 for 2003 and 2002, respectively	**–**	1,555	3,954
Net Income	**$ 32,289**	$ 18,980	$ 26,010

See accompanying Notes to Consolidated Financial Statements.

Visa International and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in thousands)

For the Years Ended September 30,	**2004**	2003	2002
Operating Activities			
Net Income	**$ 32,289**	$ 18,980	$ 26,010
Adjustments to Reconcile Net Income to Net Cash			
(Used in) Provided by Operating Activities:			
Depreciation and Amortization	**45,861**	53,946	91,721
Net Realized Losses on Investments and Other	**742**	632	6,067
Deferred Income Taxes	**25,936**	(11,000)	(6,841)
Change in Operating Assets and Liabilities:			
Settlement Due From Members	**264,128**	(231,149)	(136,983)
Accounts Receivable	**10,514**	62,310	(19,087)
Trading Assets	**7,144**	(24,581)	(24,550)
Prepaid and Other Assets	**78,330**	6,244	(47,187)
Trade and Accrued Taxes Payable	**(44,695)**	(23,354)	25,600
Settlement Due To Members	**(249,243)**	258,999	88,257
Accrued Compensation and Benefits	**(19,401)**	(76,090)	43,791
Accrued and Other Liabilities	**(165,570)**	86,018	14,551
Net Cash (Used in) Provided by Operating Activities	**(13,965)**	120,955	61,349
Investing Activities			
Investment Securities, Available-for-Sale:			
Purchases	**(212,976)**	(137,731)	(291,118)
Proceeds from Maturities and Sales	**132,804**	176,955	426,986
Purchases of Premises, Equipment and Software	**(44,178)**	(187,406)	(78,242)
Proceeds from Sale of Premises and Equipment	**188**	5,289	2,505
Proceeds from Sale of Inovant, Inc.	**–**	67,860	–
Distributions from Real Estate Joint Ventures	**–**	2,555	2,166
Purchases of Non-Marketable Securities	**(1,407)**	(5,224)	(3,079)
Distributions from Non-Marketable Securities	**2,126**	–	–
Settlement of Intercompany Balances with EU upon Incorporation	**(20,257)**	–	–
Transfer of EU Region's Premises, Equipment and Software	**68,100**	–	–
Net Cash (Used in) Provided by Investing Activities	**(75,600)**	(77,702)	59,218
Financing Activities			
Proceeds from Short-Term Borrowings	**1,834,724**	49,998	238,515
Payments on Short-Term Borrowings	**(1,834,724)**	(49,998)	(238,515)
Payments on Current Portion of Long-Term Debt	**(5,000)**	–	(22,000)
Net Cash Used in Financing Activities	**(5,000)**	–	(22,000)
(Decrease) Increase in Cash and Cash Equivalents	**(94,565)**	43,253	98,567
Cash and Cash Equivalents at Beginning of Year	**398,402**	355,149	256,582
Cash and Cash Equivalents at End of Year	**$ 303,837**	$ 398,402	$ 355,149
Supplemental Disclosure of Cash Flow Information			
Income Taxes Paid	**$ 33,101**	$ 78,868	$ 20,887
Interest Paid	**$ 13,094**	$ 11,796	$ 4,026

See accompanying Notes to Consolidated Financial Statements.

Visa International and Subsidiaries

Consolidated Statements of Members' Equity and Comprehensive Income

(Dollars in thousands)

	Accumulated Net Income	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at September 30, 2001	$375,277	$ 1,335	$376,612
Net Income	26,010		26,010
Net Unrealized Losses on Investment Securities, Available-for-Sale, net of Taxes of $233		(381)	(381)
Reclassification Adjustment for Net Realized Gains, net of Taxes of $42		(67)	(67)
Loss on Disposal of Subsidiary Stock, net of Taxes of $60	(97)		(97)
Minimum Pension Liability Adjustment, net of Taxes of $13,599		(22,188)	(22,188)
Net Unrealized Gains on Derivatives, net of Taxes of $148		241	241
Comprehensive Income			3,518
Balance at September 30, 2002	$401,190	$(21,060)	$380,130
Net Income	18,980		18,980
Net Unrealized Gains on Investment Securities, Available-for-Sale, net of Taxes of $84		136	136
Reclassification Adjustment for Net Realized Gains, net of Taxes of $1		(2)	(2)
Minimum Pension Liability Adjustment, net of Taxes of $13,599		22,188	22,188
Net Unrealized Losses on Derivatives, net of Taxes of $6		(10)	(10)
Comprehensive Income			41,292
Balance at September 30, 2003	$420,170	$ 1,252	$421,422
Net Income	32,289		32,289
Net Unrealized Gains on Investment Securities, Available-for-Sale, net of Taxes of $180		294	294
Reclassification Adjustment for Net Realized Gains, net of Taxes of $6		(10)	(10)
Net Unrealized Losses on Derivatives, net of Taxes of $29		(47)	(47)
Comprehensive Income			32,526
Balance at September 30, 2004	**$452,459**	**$ 1,489**	**$453,948**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(Dollars in thousands, except as noted)

Note 1 – Organization

Visa International Service Association ("Visa International" or the "Company") is a nonstock, nonassessable Delaware membership corporation. It administers a worldwide consumer payment system through various products and travelers cheques identified by the blue, white and gold bands design and various marks. Membership is comprised of financial institutions participating in this system (collectively, the "members"). Worldwide policy is administered by the Company's Board of Directors. The Company has established regional Boards of Directors for its Asia-Pacific ("A-P") region, Central and Eastern Europe, Middle East and Africa ("CEMEA") region, and Latin America and Caribbean ("LAC") region. The regional Boards govern such matters as regional policy, development of new services, admission of new members, establishment of service fees, authorization of expenditures and adoption of regional regulations. Visa U.S.A. Inc. ("Visa U.S.A.") and Visa Canada Association ("Visa Canada") are separately incorporated group members of the Company, and each is represented by its own Board of Directors. On July 1, 2004, the European Union region ("EU region") was incorporated and became Visa Europe Limited ("Visa Europe"), a group member of the Company (refer to Note 4). The Company's consolidated financial statements include the results of the EU region through June 30, 2004.

Note 2 – Significant Accounting Policies

Accounting Principles – The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S.").

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Minority interest is recorded for consolidated entities in which the Company owns less than 100% of the interest and represents the equity interest not owned by the Company. Upon consolidation, all significant intercompany accounts and transactions are eliminated.

Cash and Cash Equivalents – Cash and cash equivalents include cash and certain highly liquid investments with original maturities of ninety days or less from the date of purchase. Cash equivalents are recorded at cost, which approximates fair value.

Investments – The Company uses the equity method of accounting for investments in other entities, including joint ventures, when it holds between 20% and 50% ownership in the entity or when it exercises significant influence. The equity method of accounting is also utilized for flow-through entities such as limited partnerships and limited liability companies when the investment ownership percentage is equal to or greater than 5% of outstanding ownership interests, regardless of whether the Company has significant influence over the investees. Under this method, the Company's share of each entity's net income or loss is included in other revenues or other expenses on the Consolidated Statements of Operations.

The Company accounts for investments in entities under the historical cost method of accounting when it holds less than 20% ownership in the entity and does not exercise significant influence. These investments consist of equity holdings in non-public companies and are recorded in other assets on the Consolidated Balance Sheets.

Investment securities, available-for-sale, are held to meet investment objectives such as liquidity management and to promote business and strategic objectives. These securities are carried at fair value based on quoted market values. Unrealized gains and losses, net of applicable taxes, are recorded as a separate component of accumulated other comprehensive income on the Consolidated Balance Sheets. Net realized gains and losses are determined on a specific identification basis and are included in other revenues and other expenses. Interest and dividends, including amortization of premiums and accretion of discounts, are recorded in interest and other, net, on the Consolidated Statements of Operations.

The Company regularly reviews its investments for impairment and recognizes a charge when the decline in the fair value is below cost basis and is judged to be other-than-temporary. The Company considers various factors in determining whether to recognize an impairment charge, including the length of time and extent to which the fair value has been less than the Company's cost basis, the financial condition and near-term prospects of the investee, and the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Notes to Consolidated Financial Statements

(Dollars in thousands, except as noted)

Settlement Due From/Due To Members – Settlement due from and due to members reflect the Company's operation of systems for clearing and settling member payment transactions. Settlements generally clear daily among members. However, international transactions involving foreign currency typically do not settle until subsequent business days, resulting in amounts due from and due to members. The settlement amounts are stated at cost and are presented on a gross basis on the Consolidated Balance Sheets.

Member Collateral – To reduce the risk of settlement loss, the Company holds cash deposits from certain members in order to ensure their performance of settlement obligations arising from card and travelers cheque product clearings. These collateral assets are fully offset by corresponding liabilities and both balances are included on the Consolidated Balance Sheets.

Trading Assets – The Company maintains short-term money market investments and other marketable securities related to certain executive compensation plans. These investments are classified as trading assets and are reported at fair value using quoted market values. Net realized and unrealized gains and losses, interest and dividends are included in interest and other, net, on the Consolidated Statements of Operations. To the extent these investments increase or decrease in value, a corresponding offset is recorded in interest and other, net for the related executive compensation liabilities. The specific identification method is used to determine realized gains and losses.

Premises and Equipment, net – Premises and equipment are recorded at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Furniture and Fixtures	3 to 10 years
Computer Equipment	3 to 5 years
Leasehold Improvements	Shorter of lease life or 10 years

Capital leases are amortized using the straight-line method over the lease term. Fully depreciated assets are retained in premises, equipment and accumulated depreciation accounts until removed from service. Costs for maintenance and repairs are charged to expense as incurred, while major improvements are capitalized and depreciated ratably to expense over the identified useful life.

Intangibles, net – The Company initially records intangible assets at cost and assigns a useful life to each asset. Intangible assets consist of capitalized software costs and other intangible assets, all of which have finite lives. The Company does not have any intangibles with indefinite lives. The intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Capitalized Software	3 to 5 years
Other	3 to 10 years

Capitalized software includes internal and external costs incurred when developing or obtaining computer software for internal use, and is capitalized in intangible assets on the Consolidated Balance Sheets in accordance with Statement of Position 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"* and other related guidance. Internal and external costs incurred during the preliminary project stage are expensed as incurred until it is probable that the project will be completed and the software will be used to perform the function intended. Thereafter, all qualifying costs incurred during the application development stage are capitalized, and upon the project being substantially completed and ready for its intended use, are amortized using the straight-line method over the estimated useful life of the software, not to exceed five years. Qualifying costs include external direct costs of materials and services consumed when developing or obtaining the applications, and payroll and payroll-related costs for employees who are directly associated with developing the applications. All other costs incurred in connection with software developed or purchased for internal use are expensed as incurred.

Long-Lived Assets – The Company evaluates long-lived assets, such as premises and equipment and finite-lived identifiable intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as required under Statement of Financial Accounting Standards ("SFAS") No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets."* Recoverability of assets to be held and used

is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, a charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. The company had no impairment charges in the years ended September 30, 2004, 2003 and 2002, respectively.

Asset Retirement Obligations – The Company accounts for asset retirement obligations for certain leased properties in accordance with SFAS No. 143, *"Accounting for Asset Retirement Obligations."* The fair value of a liability for the obligation is determined by calculating the present value of expected cash flows of the leasehold improvements. When the liability is initially recorded, the Company capitalizes the cost by increasing the related asset carrying amount. Over time, the liability is accreted to its original obligation with the accretion expense recorded in interest and other, net, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company will either settle the obligation for its recorded amount or incur a gain or loss. As of September 30, 2004 and 2003, asset retirement obligations did not have a material impact on the Company's consolidated financial position or results of operations.

Revenue Recognition – The Company's revenues are comprised principally of service, transaction and multicurrency conversion fees. Service fees predominantly represent payments by members with respect to their card programs carrying marks of the Visa brand. Service fees are based on quarterly spending for goods and services using Visa branded products, as reported on member quarterly operating statements, and are recognized ratably over the quarter. Transaction fees represent user fees for authorization, clearing, settlement and other maintenance and support services that facilitate transaction and information processing among the Company's members globally. Multicurrency conversion fees are generated when cardholders travel internationally and purchase goods and services with their cards in currencies other than their home currency resulting in currency conversion in order to settle transactions between issuers and acquirers. Both transaction and multicurrency conversion fees are recognized as revenue in the period in which the transactions occur or services are rendered.

The Company has agreements with certain members and merchants to provide volume-based and support incentives. These incentives are accrued monthly based on management's estimate of the members' or merchants' performance in a given period according to provisions in the agreements. Actual results could differ from these estimates. Incentives that meet the guidance of Emerging Issue Task Force ("EITF") Issue No. 01-9, *"Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products)"* are recorded as reductions of revenue in the same period as the related revenue is earned.

Advertising and Promotion Costs – The costs of media advertising are expensed when the advertising takes place. Production costs are expensed as incurred. Promotional items are expensed at the time the promotional event occurs.

Income Taxes – The Company accounts for income taxes using the asset and liability method in accordance with SFAS No. 109, *"Accounting for Income Taxes."* Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portions that are not expected to be realized based on the level of historical taxable income, projections of future taxable income over the periods in which the temporary differences are deductible, and allowable tax planning strategies.

Notes to Consolidated Financial Statements

(Dollars in thousands, except as noted)

Pension and Postretirement Plans – The Company accounts for its defined benefit pension and postretirement plans within the framework of SFAS No. 87, *"Employer's Accounting for Pensions"* and SFAS No. 106, *"Employer's Accounting for Postretirement Benefit Other than Pensions,"* respectively. The plans are actuarially evaluated and involve several assumptions. Critical assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and/or liability measurement. Other assumptions involve demographic factors such as retirement, mortality, turnover and the rate of compensation increases. The Company evaluates assumptions annually and modifies as appropriate.

The Company uses a discount rate to determine the present value of our future benefit obligations. The discount rate is established based on rates available for high-quality fixed-income debt at the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense.

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected assets allocation, as well as historical and expected returns on each plan asset class. A lower expected rate of return on pension assets will increase pension expense. Any difference between actual and expected plan experience, including asset return experience in excess of the 10% corridor around the larger of assets or liabilities, is recognized in the net periodic pension calculation over the expected average future lifetime of the current employees, approximately 12 years. The gains and losses of certain smaller non-qualified pension plans are recognized immediately in the year in which they occur.

Foreign Currency – For each of the Company's foreign operations, the functional currency is the U.S. dollar. Transactions denominated in currencies other than the U.S. dollar are converted to U.S. dollars at the spot rate on the transaction date. Monetary assets and liabilities denominated in non-U.S. currencies are remeasured to U.S. dollars using current exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in non-U.S. currencies are remeasured to U.S. dollars at historical exchange rates.

Foreign currency transaction gains and losses are a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency. Transaction gains and losses are recognized currently in earnings in other expenses.

Derivative Financial Instruments – The Company enters into foreign exchange forward and option contracts to manage the variability in expected future cash flows of certain foreign currency transactions attributable to changes in foreign exchange rates. These derivative contracts are denominated in the foreign currency in which the exposures are denominated. All derivatives, whether designated in hedging relationships or not, are recorded on the Consolidated Balance Sheets at fair value in other current assets and accrued and other liabilities. The Company designates the majority of these derivative instruments as hedges based upon criteria established by SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* as amended.

Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a foreign currency cash flow hedge, are recorded as a component of accumulated other comprehensive income (loss) until gains and losses on the hedged transaction are recognized in earnings. Any hedge ineffectiveness is recorded in current period earnings in other expenses. Changes in the fair value of derivative instruments which are foreign currency fair value hedges or which do not qualify for hedge accounting are reported in current period earnings in other expenses.

The Company formally documents all relationships between hedging transactions and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions for all derivatives which qualify for hedge accounting. This process includes linking all derivatives that are designated as foreign currency cash flow hedges to forecasted transactions. The Company also formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. Effectiveness of forward contracts is assessed by using the forward rates and the value of the underlying hedged transaction. The Company assesses effectiveness for option contracts based on total changes in the option's cash flows. If and when it is determined that a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 149, *"Amendment of Statement 133 on Derivative Instruments and Hedging Activities."* SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly. The provisions of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's consolidated financial position or results of operations.

Guarantees and Indemnifications – Effective January 1, 2003, the Company adopted the accounting recognition and measurement provisions of FASB Interpretation No. 45 ("FIN No. 45"), *"Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."* FIN No. 45 requires that a liability be recognized upon the issuance of certain guarantees and indemnifications, including the ongoing obligation to stand ready to perform over the term of the guarantee. This liability is measured at its fair value. The accounting recognition and measurement provisions of this pronouncement are effective for guarantees that are issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's consolidated financial position or results of operations.

Use of Estimates – The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include valuation for investments, pension costs, legal contingencies, guarantees and indemnifications, and deferred tax assets. Actual results could differ from these estimates.

Reclassifications – Certain reclassifications have been made to prior years' balances in order to conform to fiscal 2004 presentation.

Note 3 – Recent Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity."* SFAS No. 150 established standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for mandatorily redeemable financial instruments of nonpublic entities for fiscal periods beginning after December 15, 2004. The Company plans to adopt SFAS No. 150 on October 1, 2005. The Company is currently evaluating the impact, if any, of implementing SFAS No. 150 on its consolidated financial position or results of operations.

FIN No. 46, *"Consolidation of Variable Interest Entities,"* was issued in January 2003, and a revised interpretation of FIN 46 ("FIN 46-R") was issued in December 2003. FIN 46-R requires certain variable interest entities be consolidated by the primary beneficiary of the entity if the equity investors in the entity 1) do not have the characteristics of a controlling financial interest or 2) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. For nonpublic companies, the provisions of FIN 46-R are effective immediately for all arrangements entered into after December 31, 2003. For arrangements entered into prior to January 1, 2004, the Company is required to adopt the provisions of FIN 46-R by October 1, 2005. The Company is in the process of determining the effect, if any, the adoption of FIN 46-R for arrangements entered into prior to January 1, 2004 will have on its consolidated financial position or results of operations.

In December 2003, the FASB issued a revised SFAS No. 132 ("SFAS No. 132-R"), *"Employers' Disclosures about Pensions and Other Postretirement Benefits."* SFAS No. 132-R, as revised, expands financial statements disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of these plans required by SFAS No. 87, *"Employers' Accounting for Pensions,"* SFAS No. 88, *"Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits,"* or SFAS No. 106, *"Employers' Accounting for Postretirement Benefits Other Than Pensions."* This Statement retains the disclosure requirements contained in the original SFAS No. 132, but requires additional disclosures about the plan assets, obligations, cash flows, and net periodic benefit costs of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132-R is effective for annual financial statements with fiscal years ending after December 15, 2003. The Company adopted the SFAS 132-R disclosure requirements in the current fiscal year.

Visa International and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in thousands, except as noted)

In January 2004, the FASB issued Staff Position No. 106-B ("FSP No. 106-B"), *"Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,"* which allows companies to recognize or defer recognizing the effects of the prescription-drug provisions of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act"). The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provides a benefit that is at least actuarially equivalent to Medicare Part D. The Company's postretirement plan is a bridge to Medicare-type benefits that cover retirees and their spouses under the age of 65 only. As Medicare does not become available until age 65, the Company is not affected by FSP No. 106-B.

Note 4 – Incorporation of EU Region

In October 2001, the Company's Board of Directors passed a resolution approving the incorporation of the EU region and its admission as a regional group member of the Company. Actual incorporation was subject to favorable tax rulings and no adverse financial effects on the Company. Incorporation provides the EU members with a competitive advantage through more flexibility and control over the strategic direction of the region. Final Board approval was granted and Visa International's EU region was separately incorporated in Delaware on July 1, 2004 as Visa Europe Services Inc. ("VESI"). Upon incorporation, the members within the EU region of Visa International gave up their membership in the Company and became members of Visa Europe, a newly formed United Kingdom private limited company. VESI is a wholly-owned subsidiary of Visa Europe.

Upon incorporation, the Company transferred all of the assets and liabilities of the EU region to VESI. A summary of the EU region's balance sheet at June 30, 2004 is as follows:

Assets	*June 30, 2004*
Cash and Cash Equivalents	$ 10,794
Accounts Receivable and Other Current Assets	78,654
Premises and Equipment and Intangibles, net	84,284
Other Assets	42,742
Total Assets	$216,474
Liabilities and Accumulated Other Comprehensive Income	
Accrued and Other Current Liabilities	$152,413
Other Liabilities	63,103
Total Liabilities	215,516
Accumulated Other Comprehensive Income	958
Total Liabilities and Accumulated Other Comprehensive Income	$216,474

The Consolidated Balance Sheet at September 30, 2004 does not reflect balances of the EU region. No gain or loss was recorded as a result of this transaction. The Company's Consolidated Balance Sheet at September 30, 2003 reflects the following balances of the EU region:

Assets	*September 30, 2003*
Cash and Cash Equivalents	$ 3,756
Accounts Receivable and Other Current Assets	106,394
Premises and Equipment and Intangibles, net	83,622
Other Assets	15,212
Total Assets	$208,984
Liabilities and Accumulated Other Comprehensive Income	
Accrued and Other Current Liabilities	$153,581
Other Liabilities	55,403
Total Liabilities	$208,984
Accumulated Other Comprehensive Income	–
Total Liabilities and Accumulated Other Comprehensive Income	$208,984